





Annual Report 2008/2009

Cllr. D. P. Molokwane
Executive Mayor: Merafong City Local Municipality

It is my pleasure to submit the Annual Report of Merafong City Local Municipality for the financial year 01 July 2008 to 30 June 2009 for consideration by Council.

To the best of my knowledge, the contents of the report are consistent with the disclosure principles contained in the Guide for the preparation of Annual Reports issued by National Treasury. This report seeks to portray the municipality's activities during the financial year under review and is based on sound underlying municipal information and management systems.

In presenting this report we acknowledge progress made during the 2008/2009 Financial Year as well as the challenges identified

J. M Rabodila
Acting Accounting Officer

January 2010

The Municipality retains copyright on published materials, whether in printed or electronic publications or found on its official Internet Website.

“The material that appears in official print or electronic publications of the Municipality is for informational purposes only. Despite our efforts to provide useful and accurate information, errors may appear from time to time.

Before you act on information you’ve found in our publications, you should confirm any facts that are important to your decision. We are not responsible for, and cannot guarantee the performance of, goods and services provided by those we feature in our publications or website or others to whose sites we link. A mention of a product or link to another website does not constitute an endorsement of that site (nor of any product, service or other material offered on that site) by the Municipality.

Although we make Municipality’s publications freely accessible, in doing so, we do not relinquish our rights to the materials appearing on the service. The materials available through our electronic and print publications are the property of the Municipality and are protected by copyright, trademark and other intellectual property laws.

Any use of the official corporate identity of the Municipality (such as the Municipal Logo) without expressed permission by the owner constitutes trademark and copyright infringements and may lead to legal prosecution.

You are free to copy, display and print for your personal, non-commercial use information you receive through our publications. But you may not otherwise reproduce any of the materials without the prior written consent of the owner.

Requests for permission to reproduce or distribute materials found in the publications of the Municipality, should be sent to:

The Municipal Manager
Merafong City Local Municipality
P.O. Box 3
Carletonville
2500
Fax: +27 (018) 788 9529
cespies@merafong.gov.za

Or any other contact address as may be determined and displayed on the website from time to time.”

“© `2008’Merafong City Local Municipality.
All rights reserved

TABLE OF CONTENTS

CHAPTER 1: INTRODUCTION AND OVERVIEW	4
1.1 FOREWORD BY THE EXECUTIVE MAYOR	5
1.2 MERA FONG CITY – DEMOGRAPHIC INFORMATION	9
1.2.1 ECONOMIC PERFORMANCE	12
1.2.2 SECTORAL STRUCTURES & PERFORMANCE	13
1.3 OVERVIEW BY THE ACCOUNTING OFFICER	19
1.3.1 Delegation of Authority	19
1.3.2 Governance Committee	19
1.3.3 Executive Committee (EXCO)	20
1.3.4 Audit & Risk Management Committee	20
1.3.5 S79 Committees	20
1.3.6 S80 Committees	20
1.3.6 S80 Committees	21
1.3.7 Internal Audit	21
1.3.8 Risk Management	21
1.3.9 Financial Viability	21
1.3.10 Exceptional Achievements	22
CHAPTER 2: PERFORMANCE HIGHLIGHTS	23
PREAMBLE	24
2.1 ORGANISATIONAL PERFORMANCE	25
2.1.1 Infrastructure Development	31
2.1.2 Community Service	39
2.1.3 Economic Development & Planning	40
2.1.4 Chief Operations Officer	44
2.1.5 Finance	44
2.2 PERFORMANCE ON DEVELOPMENTAL PRIORITIES IDENTIFIED IN THE IDP	46
CHAPTER 3: HUMAN RESOURCE AND OTHER ORGANISATION MANAGEMENT	70
3.1 Policies	73
3.2 Assessment of staffing capacity	74
3.3 Educational Qualifications of Top Management	75
3.4 Summary: Employee qualification profile data as at 30 June 2009	75
3.6 Pension Funds	76
3.7 Personnel expenditure	77
3.8 Employment Equity	77
3.9 Disclosure concerning Executive Councillors: 2008/2009	78
3.10 Disclosure concerning Directors and Senior Officials: 2008/2009	79
3.11 Arrears owed to Municipality by Councillors and Officials	81
CHAPTER 4: AUDITED FINANCIAL STATEMENTS AND RELATED FINANCIAL INFORMATION	82
4.1 REPORT OF THE AUDITOR-GENERAL	83

4.2	DECLARATION BY THE ACCOUNTING OFFICER.....	91
4.2.1	Statement of financial position at 30 June 2009	101
4.2.2	Statement of financial performance for the year ended 30 June 2009	102
4.2.3	Statement of changes in net assets for the year ended 30 June 2009	103
4.2.4	Merafong City cash flow statement for the year ended 30 June 2009	104
4.3	ACCOUNTING POLICIES	105
4.4	NOTES TO THE ANNUAL FINANCIAL STATEMENTS	115
4.5	APPENDIX.....	136
4.5.1	Appendix A: Schedule of External Loans	136
4.5.2	Appendix B: Analysis of property, plant & equipment	137
4.5.3	Appendix C: Segmental analysis of property, plant & equipment	139
4.5.4	Appendix D: Segmental statement of financial performance	140
4.5.5	Appendix E(1): Actual versus budget (revenue & budget).....	141
4.5.6	Appendix E(2): Actual versus budget (property, plant & equipment).....	142

CHAPTER 5: FUNCTIONAL AREA SERVICE DELIVERY 143

5.1	GENERAL INFORMATION	144
5.2	EXECUTIVE & COUNCIL	145
5.3	INFRASTRUCTURE DEVELOPMENT	148
5.3.1	Electrical Engineering (Distribution)	150
5.3.2	Electrical Engineering (Street lighting).....	153
5.3.3	Civil Engineering (Roads & Storm water)	154
5.3.4	Civil Engineering (Dolomite Risk Management).....	156
5.3.5	Civil Engineering (Public Works)	157
5.3.6	Civil Engineering (Building Control)	158
5.3.7	Water & Sanitation	160
5.3.8	Waste Water Management	164
5.4	COMMUNITY SERVICES.....	166
5.4.1	Sport, Recreation, Arts, Culture, LIS, Parks & Cemeteries	167
5.4.2	Public Safety & Security.....	172
5.4.3	Waste Management.....	178
5.5	ECONOMIC DEVELOPMENT & PLANNING	183
5.5.1	Spatial Planning & Environmental Management.....	184
5.5.2	Local Economic Development & Tourism	187
5.5.3	Housing Administration.....	197
5.5.4	Integrated Development & Planning / Performance Management System	198
5.6	CHIEF OPERATION OFFICER	201
5.6.1	Project Management Office	201
5.6.2	Human Resources & Skills Development Training.....	202
5.6.3	Corporate Secretariat (Secretarial Service)	208
5.6.4	Corporate Secretariat (Legal Service)	210
5.6.5	Corporate Secretariat (Record Services)	213
5.6.6	Corporate Communication & Marketing	214
5.7	FINANCE DEPARTMENT	221
5.8	REPORT OF THE AUDIT COMMITTEE	230

Chapter 1

INTRODUCTION AND OVERVIEW



Merafong City
Annual Report 2008/2009

1.1 Foreword by the Executive Mayor



CLLR. D P Molokwane
Executive Mayor

The end of this financial year saw South Africans renewing the ANC's mandate to govern the Republic. As a direct result of this development a new administration come into power in April 2009.

While National and Provincial government is busy prioritizing on deliverables in line with the new mandate to govern the country for the next five years we at the coal face of service delivery are moving towards the 2011 elections.

So for us the honey moon is over and we have an obligation to deliver quality service on election promises made in 2006.

As part of the process to cultivate a culture conducive for us to deliver on a mandate coming to an end soon we should talk less and focus more on attending to all needs as prioritized in the I.D.P.

To achieve this noble objective we ought to deal with the following challenges effectively:

- The deteriorating state of our supply chain section and the damage it does to our credibility need to be sorted out now.
- The challenges presented by the demarcation process need to be attended to in a realistic and responsible manner to avoid it becoming a crisis too big for Government spheres to handle.
- The selling of Merafong as unique and vibrant brand would do better with the relevant section playing its part effectively.
- The role of communication is essential for maximum interaction with all stakeholders as our failure to deal with this will give credibility to rumours and speculations.
- Motivation with incentives is necessary to encourage those able to pay for services do so and avoid hiding behind the poor.
- We need to effectively discourage the disturbing culture of entitlement developing among our workers, politicians, business and other stake holders.
- Pro actively manage our transition to Gauteng or the run the risk of the process managing us

It is our responsibility, as political principals, to ensure that the administrative arm of the municipality is capacitated with the right skill and competencies as front line service providers to our community.

Harold S Geneen explains it better in the following statement, **"It is an immutable law in business that words are words, explanations are explanations, promises are promises – only performance is reality."**

I'm humbled by the support you all provided as administration ,stakeholders, political parties to enable us to deliver on the mandate given to us to be of service to residents of Merafong. It has been an honour to serve with people of your caliber.

Thank you for your support and I value the contributions you all made during our success and my apologies to you for the times I have fallen short of your valid expectations.

This report details how we have moved on during the course of 2008/2009 to deliver services to the communities of Merafong in compliance with legislation and in line with our mandate.

Cllr. D. P. Molokwane
Executive Mayor

December 2009

MAYORAL SPECIAL PROJECTS

ACTIVITIES PERFORMED	ACHIEVEMENTS	CHALLENGES
INSTITUTIONAL SUPPORT		
Recruitment of volunteers for the on going door to door HIV and AIDS awareness project.	<ul style="list-style-type: none"> - 41 Volunteers recruited on a twelve month contract. - Efficient implementation of the HIV and AIDS project. Provision of stipend sustained. 	Insufficient funds to recruit more volunteers to accommodate vast wards.
PUBLIC AWARENESS		
National Condom Awareness week	<ul style="list-style-type: none"> - 3140 people reached - 1570 condoms distributed 	
TB Awareness campaign. Massive door-to-door campaign in collaboration with the sub-district Department of Health and Khomanani from 23 – 27 March 09	<ul style="list-style-type: none"> - 38 referrals made - 1788 people reached - 683 households reached 	
National condom and STI awareness campaign held from 9 – 13 February 09	<ul style="list-style-type: none"> - 161 people attended - On-site TB investigation and VCT provided - Effective dissemination of information achieved 	VCT and TB investigation service not optimally utilized
National Care Week door-to-door campaigns	<ul style="list-style-type: none"> - 3140 people reached - 1570 male condoms distributed - Campaigns continued in collaboration with local NGOs. - Campaign statistics: <ul style="list-style-type: none"> □ Households reached – 956 □ People reached – 2869 □ Orphans referred – 40 □ General referrals – 116 	
Pregnancy Awareness week	<ul style="list-style-type: none"> - Awareness campaigns held in high schools in Merafong City - Learners in eight schools in Merafong City were reached 	
Family Disclosure Awareness	<ul style="list-style-type: none"> - 408 people reached in the awareness creating campaigns held in clinics in Khutsong, Wedela and Kokosi from 9 – 13 March 2009 	

ACTIVITIES PERFORMED	ACHIEVEMENTS	CHALLENGES
PUBLIC AWARENESS (Cont.)		
National Candle Light Memorial Event	- Memorial event celebrated on 22 May 2008 - ± 700 people attended the event	
School Peer Education workshop	- 75 Peer educators from surrounding high schools attended the workshop	
Annual take a Girl Child to Work campaign	- A total number of 20 orphaned girls placed in different management offices	
HIV and AIDS awareness campaigns for commercial sex workers	- Educational talks held in collaborations with Khomanani - A total number of 71 commercial sex workers reached - 5 Referrals made	
Taxi rank awareness campaign	- Awareness campaigns implemented on 17 – 18 July and 6 – 8 October 2008 in Wedela, Kokosi, Carletonville and Fochville - People reached □ Male – 724 □ Female – 806 □ Youth - 1828	
Installation of condom dispensers in municipal toilets	- 48 Condom dispensers purchased and installed in identified toilets.	
World Aids Day 2008 - Volunteer training	- 150 Volunteers trained to participate in the door-to-door campaign in collaboration with the DoH, DSD, SASSA, HBC's - Awareness campaign held 24 – 28 November 2008	Insufficient transport for attendants to identified areas
WAD Door-to-door awareness campaign	- 150 Volunteers participated - Campaign promotional material provided - Areas reached: □ Khutsong □ Wedela □ Kokosi □ Mining areas	Inadequate catering for community members who turned up in large numbers.

ACTIVITIES PERFORMED	ACHIEVEMENTS	CHALLENGES
PUBLIC AWARENESS (Cont.)		
WAD Door-to-door awareness campaign (Cont.)	<ul style="list-style-type: none"> - Campaign statistics: <ul style="list-style-type: none"> □ 4,124 houses reached □ 14,802 people reached □ 338 orphans reached □ 5,621 condoms distributed □ 3,412 stickers distributed □ 5,2-7 pamphlets distributed - Commemorative event held at the Popo Molefe Stadium on 1 December 08. ± 1,017 people attended - Effective dissemination of information achieved 	
World Elderly Abuse awareness occasion held in collaboration with the DoH, SAPS, Dept of Justice, AngloGold Ashanti Gold mine and Dept of Social Development	<ul style="list-style-type: none"> - 300 elderly persons attended - 300 blankets donated by the municipality and AngloGold Ashanti were handed to elderly citizens attending the event. 	
CAPACITY BUILDING		
HIV and AIDS community workshop	<ul style="list-style-type: none"> - A two-day workshop held in collaboration with the Dept of Social Development, DOH, SASSA and Home Based Care Centres - Targeted 200 people reached 	
Launch of ward based WIPAA forums	<ul style="list-style-type: none"> - Ward based forums launched in Kokosi, Wedela and Khutsong - 112 women participated 	
HIV and AIDS training for men on 22 May 2009. Workshop facilitated by SAMAG on basic HIV and AIDS, prevention and positive living.	<ul style="list-style-type: none"> - 50 males from around Merafong City attended 	
41 Recruits trained on basic HIV and AIDS, STI, TB, CCMT and updated reporting format. Training in collaboration with DoH, SAPS and WRDM	<ul style="list-style-type: none"> - 4 Supervisors and 37 volunteers attended 	

ACTIVITIES PERFORMED	ACHIEVEMENTS	CHALLENGES
CAPACITY BUILDING (Cont.)		
Nutritional support and poverty alleviation for PLWHA	- More food gardening projects started at the official residence of the Executive Mayor in collaboration with the parks section	
PLWHA AND ORPHAN SUPPORT		
Material support for orphaned matriculants	- Matric farewell items purchased for ten indigent orphans in Thuto Kitso, Wedela, Badirile, Relebogile and Tsasongu high schools	Insufficient funds to extend assistance to more needy pupils
Food parcels donated by local business person distributed by the office of the Executive Mayor	- Assistance to 20 beneficiaries sustained	An increasing need to extend support to more families
INDIGENT BURIAL		
Decent burials for the indigent	- 16 Indigent families assisted @ R750 burial service	

1.2 MERAUFONG CITY – DEMOGRAPHIC INFORMATION

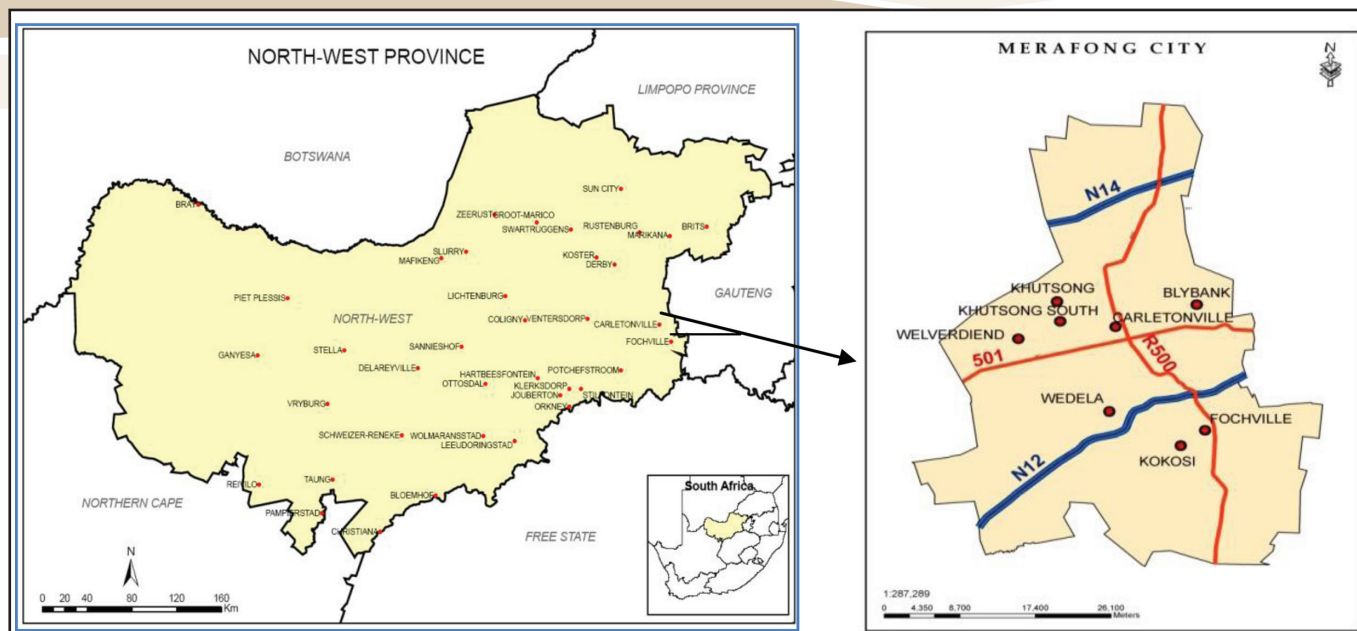
DEMOGRAPHIC PROFILE

Merafong City Local Municipality is situated in the North West Province falling under the Southern District Municipality (Dr Kenneth Kuanda District Municipality).

The following areas are included in the municipality:

- Carletonville
- Fochville
- Wedela
- Khutsong
- Kokosi
- Greenspark
- Welverdiend
- Blybank
- Rural Areas
- Mining Towns including
 - Blyvooruitzicht
 - Doornfontein
 - Deelkraal
 - Elandsrand
 - Bentley Park (Cementation)
 - East and West Driefontein
 - Western Deep Levels

MUNICIPAL CODE	NW 405
SIZE OF MUNICIPAL AREA	1631,7km
WARDS	26km ²



The Southern District Municipality has an estimated population of 810,160

POPULATION OF MERAFONG CITY:

Statistic South Africa	210,901
Own Information	287,607

(Figure reflect Table 1.2.1 plus Table 1.2.2)

Source: Statistics South Africa 2001

POPULATION STATISTICS

Table 1.2.1 Proclaimed Towns

Proclaimed Townships	Population	Nr of Houses	Informal structures	Backyard dwellers	Residential stands	Business stands	Industrial stands
Carletonville	28,090	5,292	326	N/A*	5,322	195	168
Wolverdiend	2,840	528	40	N/A*	943	89	33
Blybank	950	190	N/A*	N/A*	2,832	62	18
Khutsong (incl Khtusong South)	139,850	8,485	11,000	8,485	8,912	33	81
Fochville	15,015	3,003	N/A*	N/A*	4,247	124	119
Kokosi	29,740	3,854	1,594	500	4,443	37	0
Greenspark	3,655	343	22	366	395	6	0
Wedela	9,565	1,436	79	398	5,309	19	0
TOTAL	229,750	23,131	13,061	9,749	32,403	565	419

Source: Merafong City Town Planning Section (*N/A indicates not available)

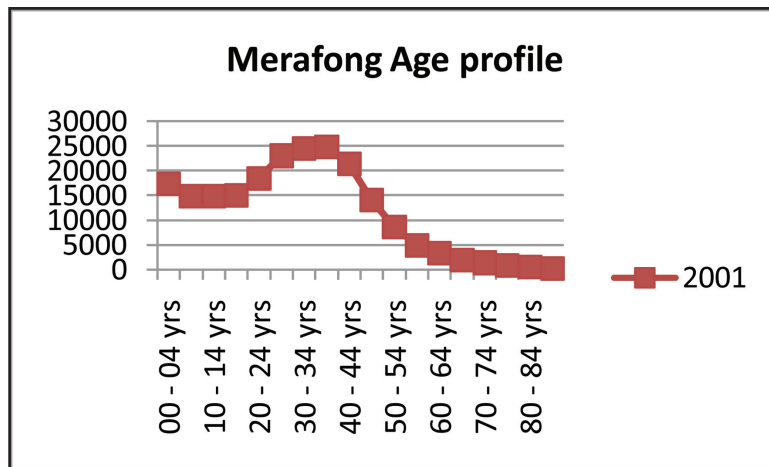
Table 1.2.2 Mining Towns

Proclaimed Townships	Population	Nr of Houses	Informal structures	Backyard dwellers	Residential stands	Business stands	Industrial stands
Blyvooruitzicht	7,060	1,009	303	0*	0*	0*	0*
Cementation	60	12	0	0*	0*	0*	0*
Deelkraal	2,030	406	0	0*	0*	0*	0*
Elandsrand	5,275	465	0	0*	0*	0*	0*
Doornfontein	2,495	79	0	0*	0*	0*	0*
Driefontein	26,264	842	2,400	0*	0*	0*	0*
Western Deep Levels	9,853	294	274	0*	0*	0*	0*
TOTAL	53,037	3,137	2,977	0	0	0	0

Source: Merafong City Town Planning Section (*Unproclaimed Townships)

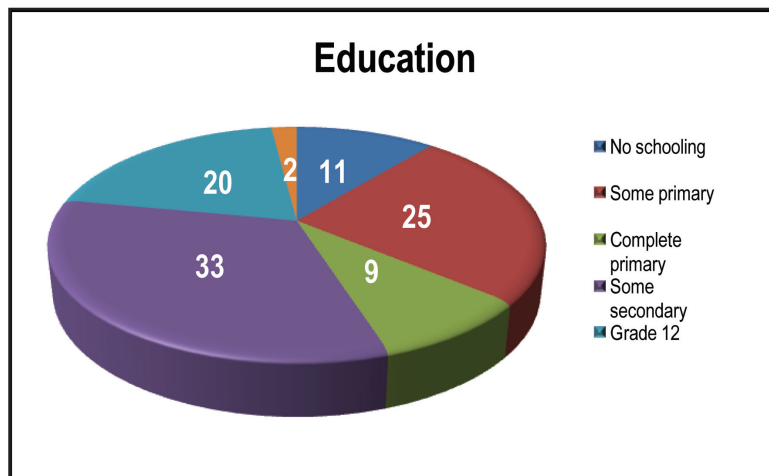
SOCIAL PROFILE

1. Merafong population profile is male-dominated (measured in 2001), mainly due to in-migration of male workers in mining industry; Male - 57% and Female - 43%
2. The largest proportion of population is between the ages 15 – 64 years, which represents the economically active population; 75% in 2001 and 73% in 2007.



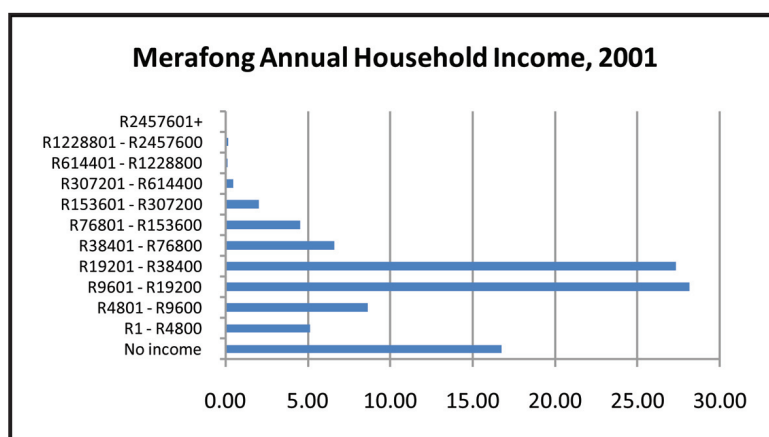
Source: Merafong Growth & Development Strategy, 2008

3. Estimated education profile for 2007:



Source: Merafong Growth & Development Strategy, 2008

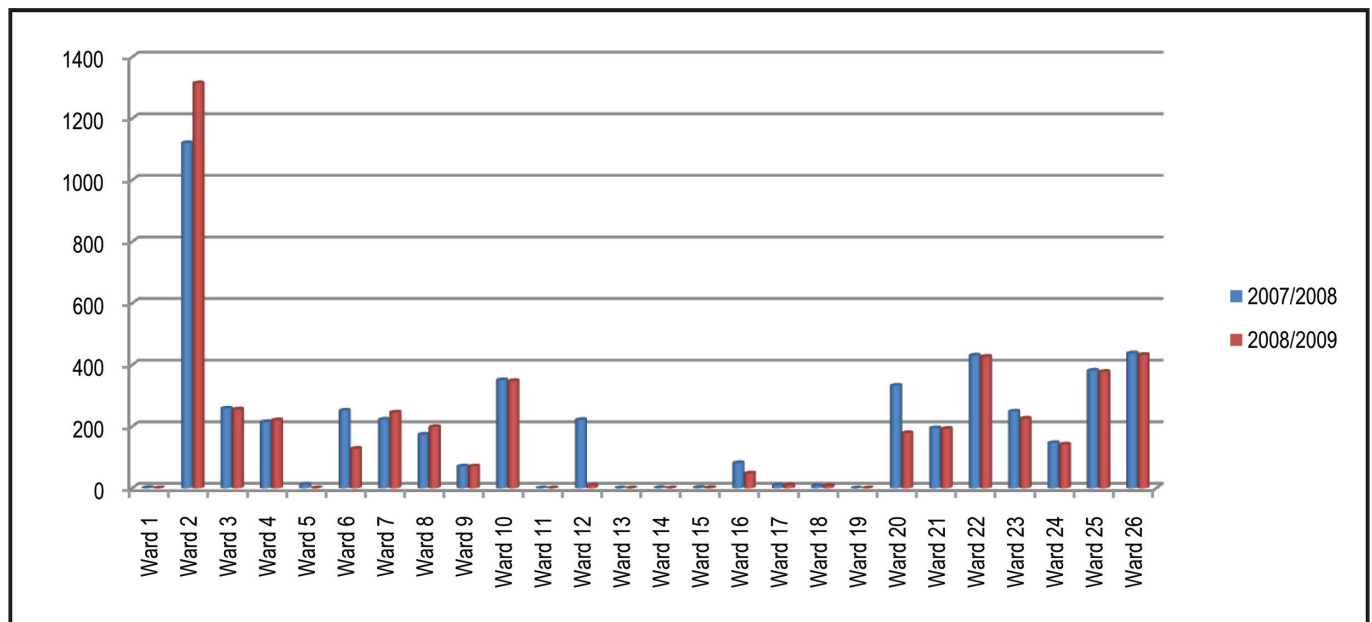
4. HIV infection rate in 2004 – 8,752 and in 2007 – 12,200.
5. Annual AIDS related deaths in 2004 – 560 and in 2007 – 1,200.
6. According to Census 2001, almost 70% of the population had a household income of R3,200 or less.



Source: Merafong Growth & Development Strategy, 2008

7. The Average Weighted Income (AWI) as measured in 2001 was R4,809 (AWI – is the average income of households, taking into account the distribution of households across income categories).
8. A total number of 4,838 indigents have been registered on the database of Council for the 2008/2009 financial year.

Registered Indigents Per Ward

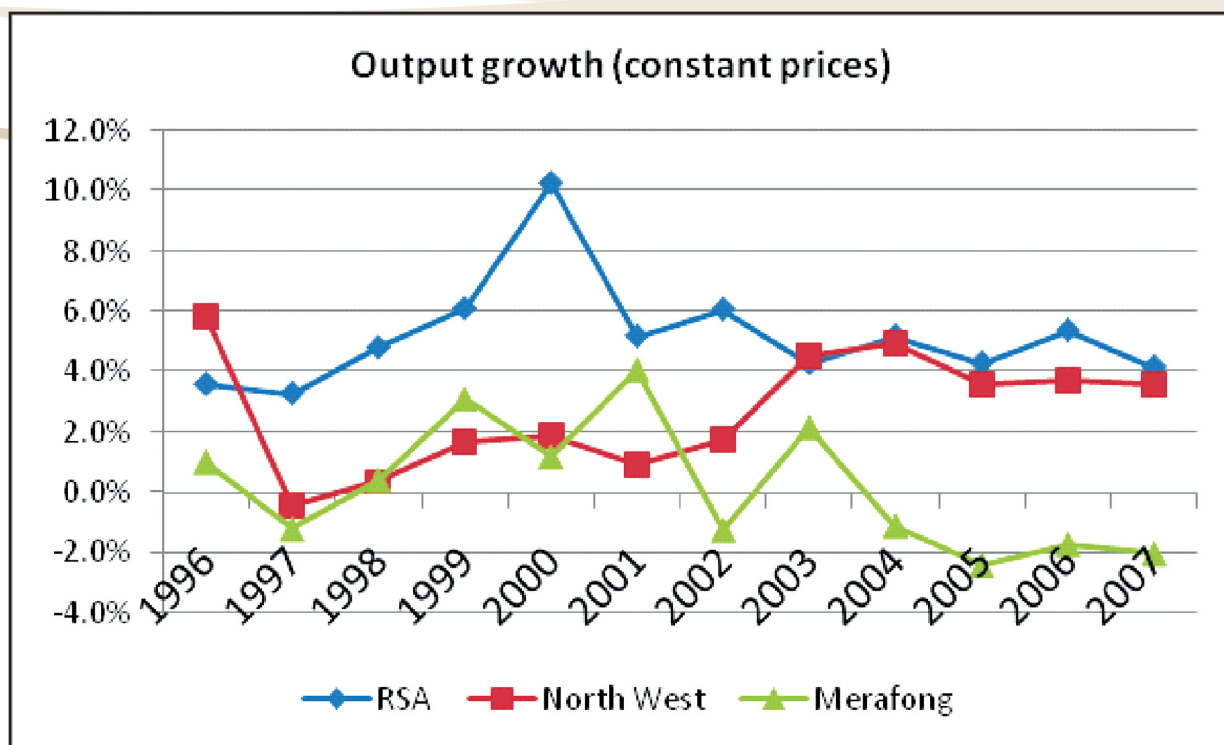


Source: Finance Department, Merafong City 07/09 Financial Years

1.2.1 ECONOMIC PERFORMANCE

TRENDS:

- Economic growth rate of Merafong in general lower than the growth rate of South Africa and North West Province.
- Merafong City experienced negative growth rates in 1996, 1997, 1999 and 2000. 3) Since 2000, the municipality has experienced stronger economic growth with an upward trend in the growth rate, similar to North West Province.
- Merafong City experienced negative growth rates in 1996, 1997, 1999 and 2000. Since 2000, the municipality has experienced stronger economic growth with an upward trend in the growth rate, similar to North West Province.

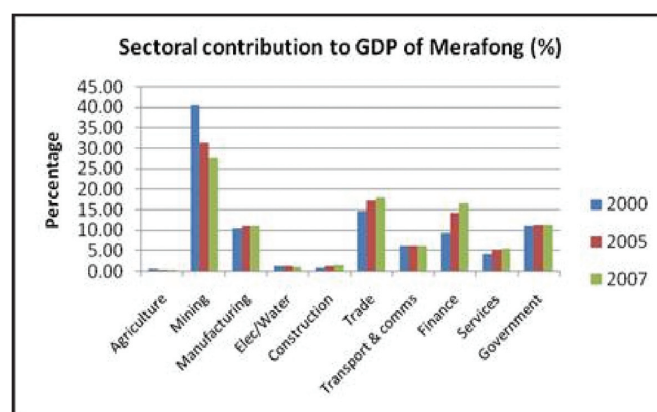
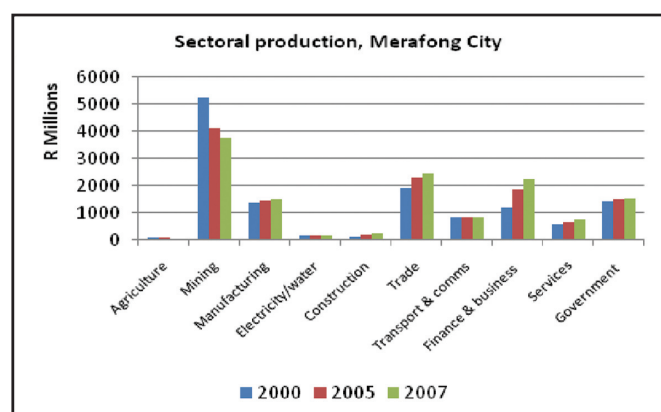


Source: Merafong Growth & Development Strategy, 2008

1.2.2 SECTORAL STRUCTURES & PERFORMANCE

TRENDS:

The economy of Merafong City is dominated by the mining sector, which contributes 31% to GGP in 2005, estimated 28% for 2007. Mining is the most important sector in terms of formal employment. A downward trend in mining employment highlights the need for diversification of the economic base. Trade, finance and Business services experienced a strong increase in production and upward trend in employment. Manufacturing and Government services also make a meaningful contribution in production and employment. The construction sector also shows an increase in production which is set to continue.

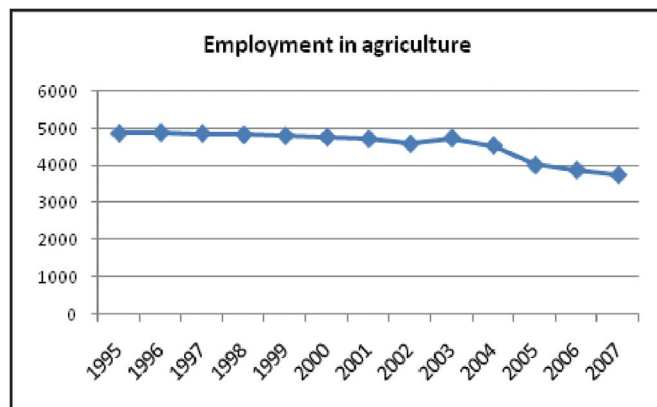
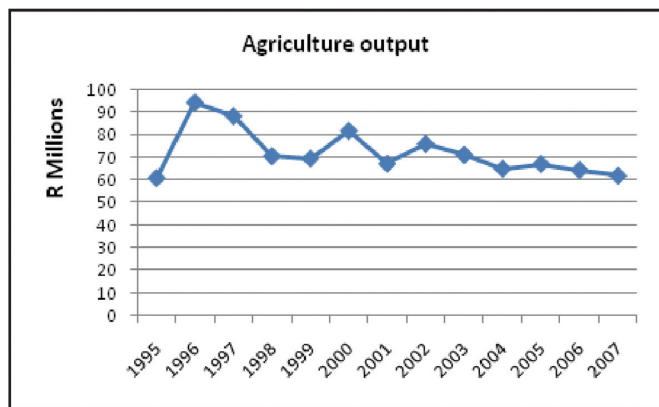


Source: Merafong Growth & Development Strategy, 2008

AGRICULTURAL SECTOR

TRENDS:

A decreasing productivity has been experienced in this sector over the past decade. Also a decreasing trend in employment in the agricultural sector. Merafong contains high potential agricultural areas with potential for intensive agricultural production. Potential exists for increased productivity, crop diversification and value adding activities (agro-processing)

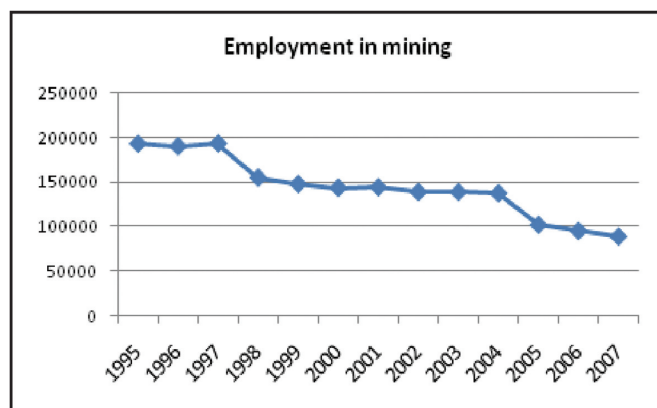
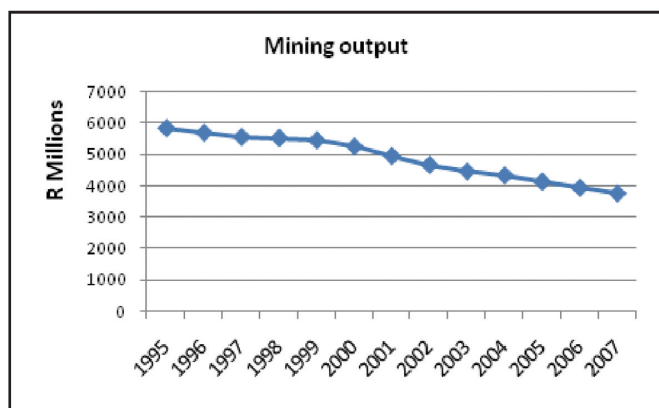


Source: Merafong Growth & Development Strategy, 2008

MINING SECTOR

TRENDS:

Merafong economy is still dominated by the mining sector – 28% (2007). Although declining sector current turn-around in profitability led to growth and expansion. Dependency of this sector on international prices and exchange rates points to a need for economic diversification.

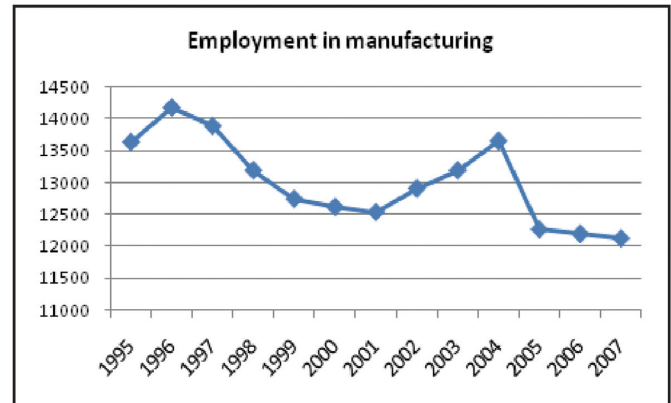
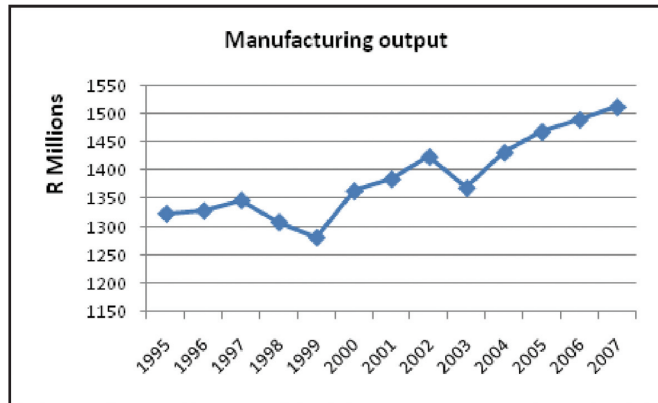


Source: Merafong Growth & Development Strategy, 2008

MANUFACTURING SECTOR

TRENDS:

Upward trend in production in manufacturing as well as significant % contribution to GGP (11%) and was not accompanied in similar trend in employment. Employment in manufacturing has declined and accounts for 6% of total formal employment. Above trends imply a need for more labour intensive manufacturing industries.

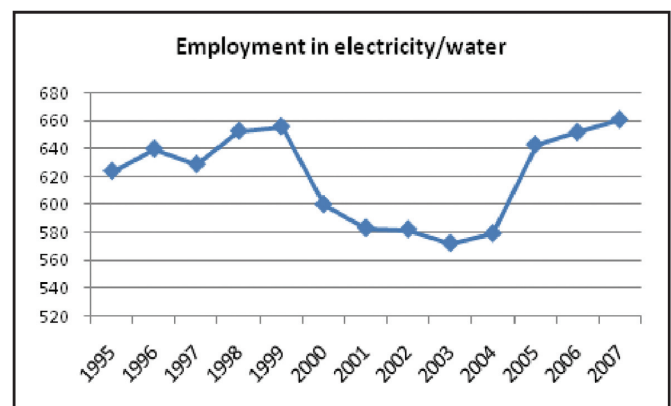
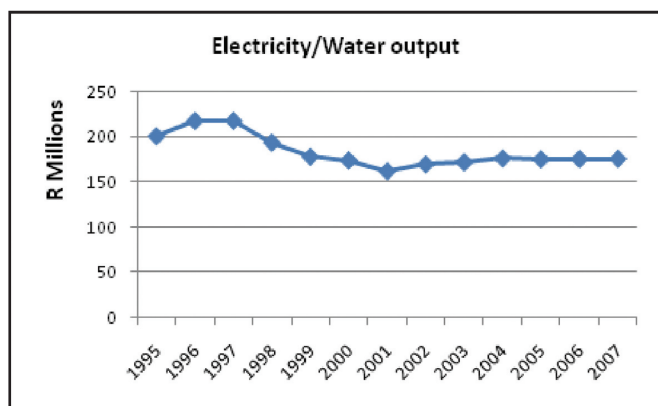


Source: Merafong Growth & Development Strategy, 2008

UTILITIES (ELECTRICITY & WATER)

TRENDS:

Fairly constant production trend over past decade. Employment in this sector has increased since 2004. Sectoral contribution to GGP is 1,3% - not a significant contribution to GGP or employment in Merafong. Sector plays an important role in ensuring access to basic services.

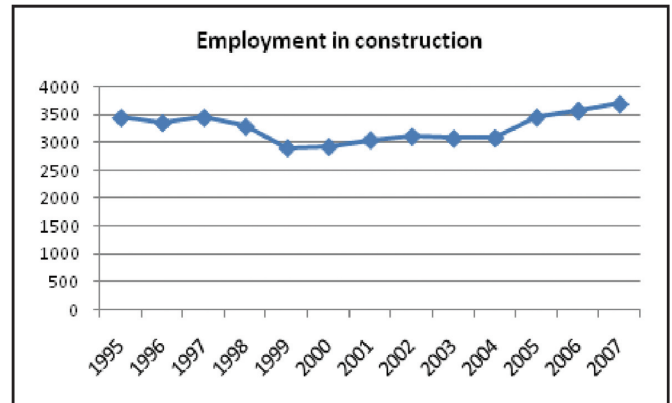
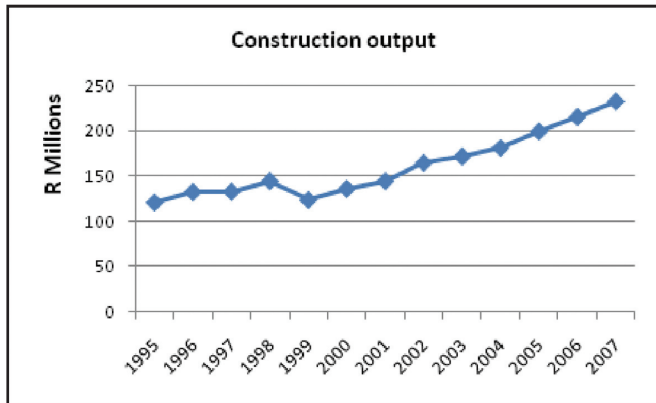


Source: Merafong Growth & Development Strategy, 2008

CONSTRUCTION SECTOR

TRENDS:

This sector has exhibited an increase in production, a trend which is set to continue. Contribution to GGP was 1,5% (2005) AND 1,7% (2007). Accounts for 2% of employment in the formal sector. Employment in this sector has exhibited an upward trend since 2004. Infrastructure and Housing backlog will have significant future impact on this sector.

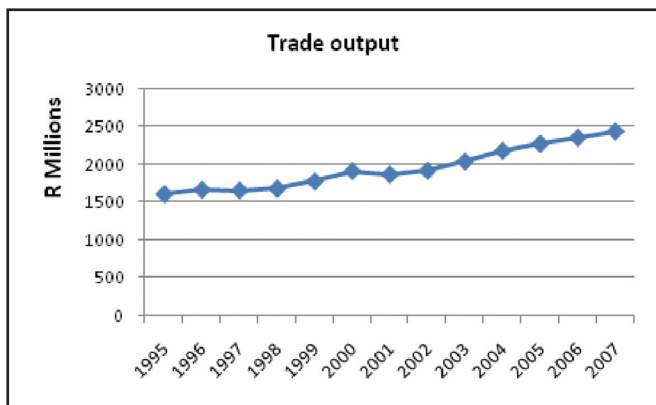


Source: Merafong Growth & Development Strategy, 2008

TRADE SECTOR

TRENDS:

Steady increase in production since 1995. Sector contribution to GGP increased from 15% (2000) – 17% (2005) and is estimated at 18% (2007). Exhibited steady increase in employment. Accounts for 14% - 15% of formal employment. Upwards trend in production and employment could have positive implications for the diversification of the local economy.

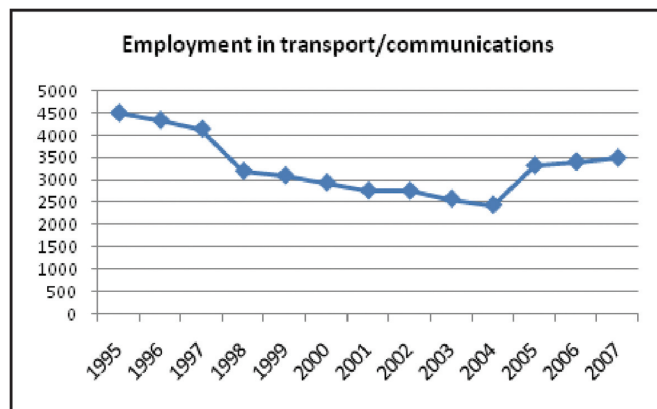


Source: Merafong Growth & Development Strategy, 2008

TRANSPORT & COMMUNICATIONS

TRENDS:

No significant increase in production. Contribution to GGP has remained fairly constant at 6.3%. Accounts for about 1% of formal sector employment. Employment in this sector exhibited a declining trend between 1995 and 2004, and an upward trend since 2004.

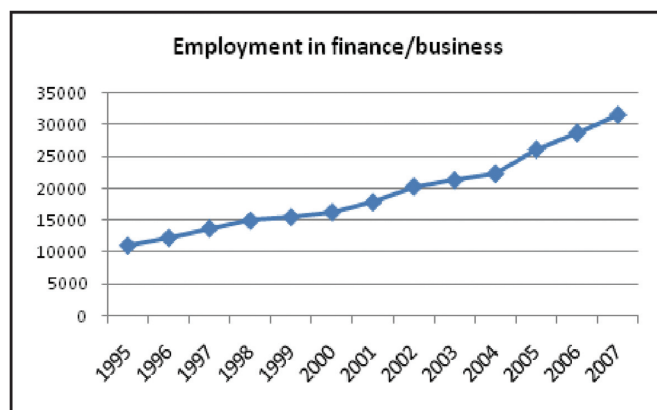
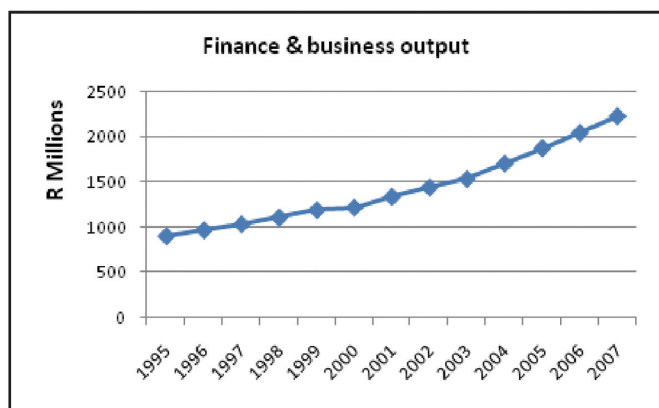


Source: Merafong Growth & Development Strategy, 2008

FINANCE & BUSINESS SERVICES

TRENDS:

Experienced strong growth in output. Contribution to GGP increased from 9.4% in 2000 to 16.5% in 2007. Employment exhibited a strong upward trend and accounted for 15% in 2007. Above trends have positive implications for the diversification of the local economy. Sector shows significant growth potential.

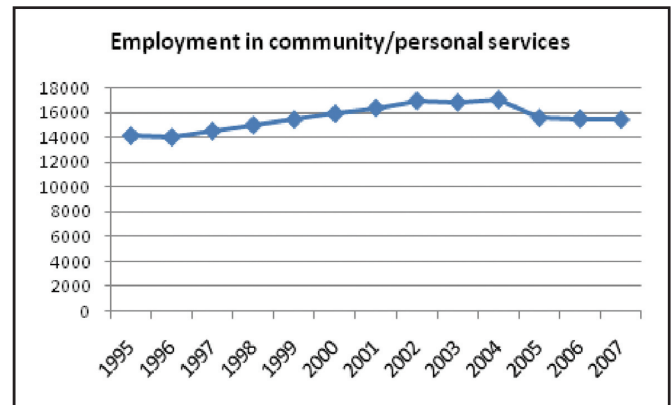
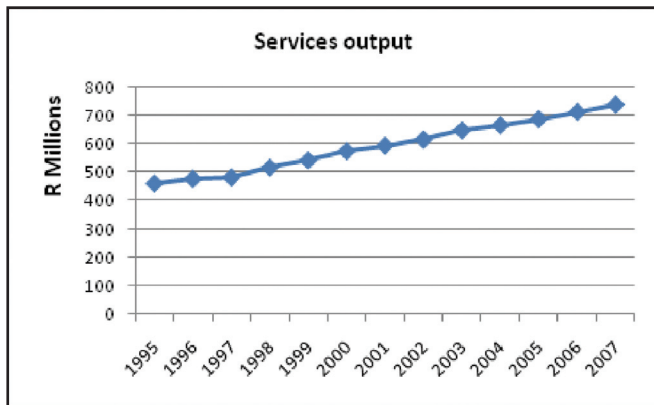


Source: Merafong Growth & Development Strategy, 2008

PERSONAL & COMMUNITY SERVICES

TRENDS:

Upward trend in the output of sector. Sector contribution 5.5% - 2007. No significant increase in employment experienced. Services account for 7% of formal sector employment.

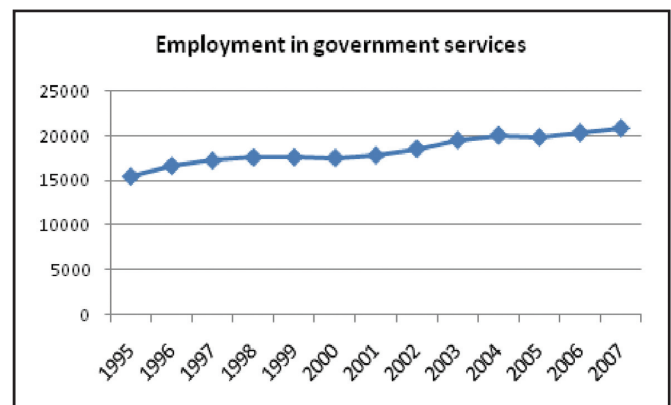
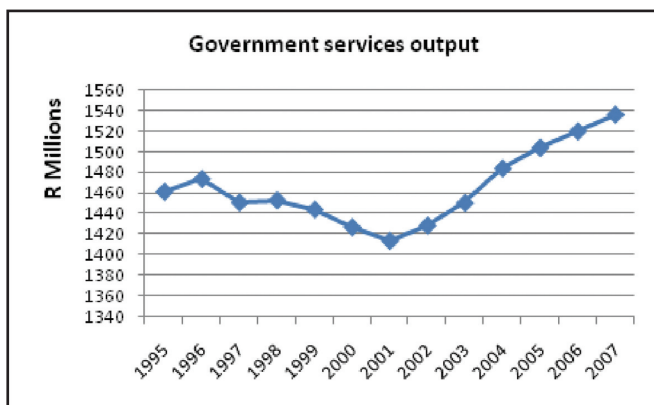


Source: Merafong Growth & Development Strategy, 2008

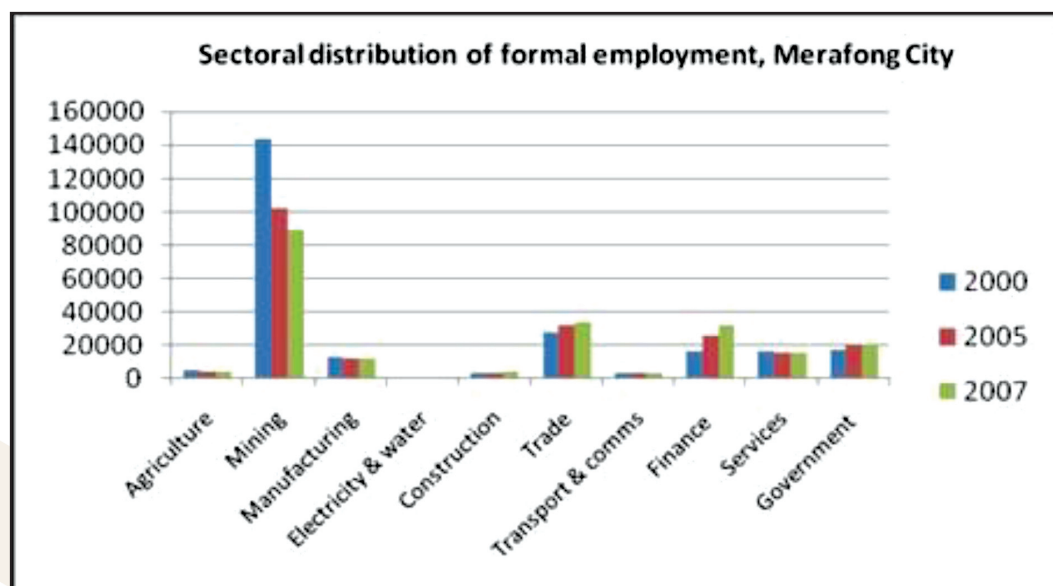
GOVERNMENT SERVICES

TRENDS:

Upward trend in input since 2001. Sector contribution to GGP – 11.4%. Important sector in formal employment – 10%. Number of people employed in sector in Merafong increased by 5,000 between 1995 and 2005.



Source: Merafong Growth & Development Strategy, 2008



Source: Merafong Growth & Development Strategy, 2008

1.3 OVERVIEW BY THE ACCOUNTING OFFICER

INTRODUCTION BY MUNICIPAL MANAGER



E. M. Leseane
ACTING MUNICIPAL
MANAGER

Merafong City is still successfully managed and achieved a major financial turnaround. Comparing to an Operational deficit of R 11.9 Million in 2007/2008 financial year, Merafong City had realized an Operational Surplus after appropriations of R12. 7 Million for the 2008/2009 financial year. This was achieved through strong cost cutting exercises and strict credit control and debt collection processes.

Councils bank balance had improved from R20.6 Million in 2007/2008 to R115.9 Million in 2008/2009. Councils Funds and Reserves had improved from R129.7 Million to R250.8 Million for the financial year.

Council had reached an all time high by spending in excess of R136.7 Million for the financial year on Capital Expenditure comparing to R88.7 Million in 2007/2008. Council's liquidity ratio had improved from .91:1 to 1.01:1. Salaries and Allowances as a percentage of the total expenditure have improved from 31.31% to 30.16%. This is well below the norm of 35%.

The Property Rates Act was successfully implemented on the 1 July 2008 and the public participation process as required in the Act was adhered to. The highlight of the implementation was when Council received affirmation from sectors such as the Agricultural Forum to implement and charge property tax as required by the Act. Rebates & exemptions were given to qualifying ratepayers.

Council could achieve a payment Level of 87.66%. The unstable situation in Khutsong since Merafong was transferred to North-West had deteriorated. This had spilled over to other areas. The demarcation issue had resulted in that the pay points in Khutsong were burnt down and payment levels had dropped to an all time low. Subsequent to this the pay point in Kokosi was also burnt down.

GOVERNANCE

The Merafong City Local Municipality is committed to the concept and principles of good corporate governance. As a municipality, we are guided by the principles of the Code of Corporate Practices and Conduct as contained in the Report on Corporate Governance for South Africa 2002 and augmented by the statutory duties, Municipal Systems Act 32 of 2000 and the Municipal Finance Management Act, 56 of 2003 (MFMA). In all our dealings, Council strives to ensure that the interests of our communities and stakeholders.

1.3.1 Delegation of Authority

The power and authority to lead, control, manage and conduct our business is in accordance with the Constitution of 1996, Municipal Systems Act, Municipal Financial Management Act, Municipal Structure Act, White Paper on local government 1998, and LG demarcation Act of 1998, LG Municipal Property Rates Act of 2004 and intergovernmental Relations Framework Act of 2005.

1.3.2 Governance Committee

Several governance committees have been duly constituted to assist the Municipal Manager in discharging his duties. Each committee operates within the ambit of its delegated terms of reference that set out the composition, role, responsibilities, delegated authority and requirements for convening meetings.

1.3.3 Executive Committee (EXCO)

The Executive Committee is chaired by the Municipal Manager. Its membership consists of the Executive Directors and selected invitees and meets as and when required.

1.3.4 Audit & Risk Management Committee

The Audit and Risk Management Committee is chaired by an independent and non-executive professional and comprise of external members.

The Audit Committee meets quarterly with senior management, which includes the Municipal Manager, Chief Financial Officer and the Chief Internal Auditor. The external auditors and internal auditors attend these meetings and have unrestricted access to the Audit Committee and to its Chairperson.

The Audit Committee serves in an advisory capacity to the Council and assists to discharge its duties relating to the safeguarding of assets, the operation of adequate systems, risk management and controls, the review of financial information and the preparation of the annual financial statements. This includes satisfying the Council that adequate internal, operating and financial controls are in place.

Merafong City Local Municipality has an in-house internal audit function and co sourced service providers are used as and when deemed necessary. It has a specific mandate from the Audit Committee and independently appraises the internal controls and accounting records, reporting its findings to management as well as the Audit Committee. As part of the system of internal control, the internal audit function conducts operational, financial and specific audits and coordinates audit coverage with the external auditors.

1.3.5 S79 Committees

The Annual report oversight committee was established in terms of section 33 and section 79 of the Municipal Structures Act 1998 for the financial year 2008/9. This committee provides oversight reports on the annual activities of council in accordance with section 129 of the Municipal Finance Management Act of 2003. The oversight committee performed its responsibilities in accordance with the National Treasury Circular NO 32 in conjunction with:

MFMA Circular 11 – Annual reporting Guidelines; January 2005

MFMA Circular 18 - New accounting standards; 23 June 2005

MFMA Circular 28- Budget Content and Format; 12 December 2005

The Oversight committee was constituted by NON EXECUTIVE COUNCILORS as per the prescription of the regulations, the meeting to tabling of the oversight reports was open to the public and sufficient time was allowed for discussion and debates. The oversight committee recommended the approval of the annual report to Council.

1.3.6 S80 Committees

The Municipal Council established 8 Portfolio Committees in terms of Section 80 of the Municipal Structures Act. The Executive Mayor appointed the Chairperson of the Committees. Portfolio Heads are the Chairpersons of the various Section 80 Committees. These committees are essentially advisory committees for the Mayoral Committees and the Executive Mayor. Section 80 Committees have no delegations committee.

Administration prepares items which are then, with the consent and approval of the Municipal Manager referred to the various Section 80 Committees.

The portfolio head consent to the Agenda of the Section 80 committee and the items that serve on these committees. The minutes of the Section 80 meetings are referred to the Executive Mayor, who approves as recommended; change recommendations and approve as amended ; report quarterly to full council on all the resolutions taken by him; refer the item back to the Section 80, refer the item to the Mayoral committee and or refer the item to the full council. The portfolio committee meets on a monthly basis in accordance with the year planner as determined by the office of the Speaker.

1.3.7 Internal Audit

In line with the requirements of the MFMA and good governance, internal audit provides the Audit Committee and Management with assurance on the appropriateness and effectiveness of internal controls in place. This is achieved by an independent, objective appraisal and evaluation of risk management processes, internal controls and governance processes, as well as by identifying corrective actions and suggested enhancements to controls and processes. The risk-based audit plan covers major risks emanating from our integrated risk management process. The audit plan responds to these risks. The Internal Audit is fully supported by the Council, and Audit Committee, and has full, unrestricted access to all organizational activities, records, property and personnel.

Every assignment is accompanied by a detailed report to Management, which includes recommendations for improvement. Significant business risks and weaknesses in the operating and financial control systems are highlighted and brought to the attention of the audit committee, senior management and the external auditors.

The audit work plan is presented in advance to the Audit Committee.

1.3.8 Risk Management

Effective risk management is critical to our operations. Nevertheless, responsible risk-taking is an integral part of the business which helps us to achieve our strategic objectives. Our success lies in identifying, understanding and managing the risks associated with our business strategy and the execution of our activities. Management's objective is to deliver on service while adhering to approved risk parameters and limits. Management does this by identifying risks that may inhibit the Municipality from achieving its objectives, analyzing those risks, avoiding certain risks and implementing plans for mitigating risks that remain. We acknowledge that enterprise wide risk management is a driver of business performance rather than an obligation created with a view to achieving good governance.

Risk ownership

The ownership of the risk management function resides with Management.

Fraud risk management

We have a fraud prevention plan, aimed at prevention, detection, response and investigation and a fraud roll out plan. Where serious fraud, corruption and irregularities are suspected and reported, investigations are undertaken to establish the facts to enable management to deal appropriately with the issues, and to prevent recurrence.

1.3.9 Financial Viability

Operating Surplus

Operations within council in the current Financial year realized an Operational Surplus after appropriations of R12 473 533 comparing to an Operational deficit of R11 967 330 in 2007/2008.

Bank, Cash And Overdraft Balances

Councils bank balance had improved from R20 660 389 in 2007/2008 to R115 865 252 positive balance in 2008/2009.

Payment Levels

Council's payment levels have increased from an 85.68% in 2007/2008 to 87.66% in 2008/2009.

The unstable situation in Khutsong since Merafong was transferred to North-West had deteriorated. This had spilled over to other areas. The demarcation issue had resulted in that the pay points in Khutsong were burnt down and payment levels had dropped to an all time low in this area. Subsequent to this the pay point in Kokosi was also burnt down.

Council had appointed debt collecting Service providers to collect all outstanding Debt.

Integration of BIQ and Conlog was established to enable debt collection through the sale of pre-paid electricity as approved in Council Credit Control Policy.

Council appointed third party vendors to ensure 24 hour vending of pre paid electricity.

Financial Ratios

Council's liquidity ratio had improved from .91:1 to 1.01:1. This is below the required 2:1. The reason for the below the norm of 2:1 is as a result of the implementation of further GRAP and International Accounting Standards. It can be viewed that councils Financial Statements becomes more of a fair presentation.

Salaries and Allowances as a percentage of the total expenditure have improved from 31.31% to 30.16%. This is well below the norm of 35%.

Capital Expenditure

Council had reached an all time high by spending in excess of R13.67 Million for the financial year. This is still below budget but this is a result of Council converted housing projects to GRAP 17 during the year. Top structures were budgeted for as Assets. They are indeed operational expenses.

Unfortunately the budget could not be transferred

Funds and Reserves

Councils Funds and Reserves had improved from R129.7 Million to R250.8 Million for the financial year.

1.3.10 Exceptional Achievements

We wish to convey our appreciation of the Leadership of our Executive Mayor, Councillor D. P. Molo-kwane, his Mayoral Collective Leadership Committee (MMC), Portfolio Committees and all Councillors for their outstanding leadership during this financial year.

My sincere appreciation for the administration for their commitment and dedication to implement the political mandate for the year under review.

Similarly we wish to convey our sincere gratitude to the following external stakeholders:

- The Office of the Accountant General
- The Auditor General
- The Community of Merafong City
- The Merafong Business Community
- Merafong Ward Committees
- The South African Police Services
- The North West Provincial Government
- The North West Provincial Treasury
- The Dr. Kenneth Kaunda District Municipality
- North West Provincial Treasury; and
- The Development Bank of Southern Africa

E. M. Leseane
ACTING MUNICIPAL MANAGER
October 2009